

CoreComm Limited

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March 17, 1999

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The Honorable William E. Kennard
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Calling Party Pays Service Option in the
Commercial Mobile Radio Service, WT Docket No. 97-207

Dear Chairman Kennard:

Summary

The early implementation of cellular calling-party-pays in Puerto Rico would enable the FCC to assess first-hand the consumer benefits of such an option as well as iron out any consumer notification and related issues. States on the mainland examining calling-party-pays could also obtain critical information about such issues. Finally, a Puerto Rico test bed for calling-party-pays would provide comfort to those within the wireless industry who have doubts about the viability of calling-party-pays to their U.S. operations or fears about billing and consumer problems. I am sure that the experience gained through FCC-guided implementation in Puerto Rico would ensure wireless providers that calling-party-pays has substantial benefits for both customers and carriers and that implementation problems are easily resolved.

As the Chairman of two publicly traded wireless companies and a participant in the cellular industry since 1982 (first as Chairman of an original applicant for cellular licenses in the top 30 markets and later as the grantee of licenses for the Cleveland and Cincinnati MSAs through the FCC's comparative hearing process), I am writing to commend you on your excellent speech at CTIA-99 last month and to thank you for the many pro-competitive messages that you sent to both the industry and regulators. You are correct that wireless technology has far surpassed even the most generous predictions of a decade ago,¹ and I agree that the wireless industry stands poised to achieve great things in the future.

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¹ I would be delighted to share our original business plan with you as well as AT&T's projections for the cellular market from 1979.

I was especially pleased to hear you acknowledge that the time is ripe to implement a calling-party-pays system in this country. In 1986, as Chairman of Cellular Communications, Inc., I was instrumental in spearheading the introduction of a calling-party-pays system in the Cincinnati MSA, one of the first of its kind in the United States. More recently, as Chairman of a second public company that was the progenitor and partial owner of Omnitel, the leading cellular provider in Italy, I had an opportunity to witness first-hand the tremendous consumer interest in and pro-competitive benefits of calling-party-pays and other innovative service arrangements (including prepaid cellular services) that are available in the Italian market.²

As a result of these experiences, I am convinced that consumers would benefit and competition would flourish from the widespread availability of a calling-party-pays option in the United States. In particular, we learned from our experience in Italy about the benefits offered by calling-party-pays, including:

- benefits to wireless customers by enabling them to receive more phone calls at lower cost;
- benefits to wireline customers by helping to ensure that calls placed to wireless customers will be accepted, thus promoting greater confidence in the use of wireless as a means of communicating with consumers;
- benefits to wireless carriers by promoting higher call volumes and penetration rates; and
- benefits to wireline carriers by promoting higher call volumes and increased revenues for billing and collection services.

At the same time, however, we learned in Cincinnati about the many difficulties of implementing a calling-party-pays system, which leads us to believe that it will be necessary for the industry and regulators to resolve various complex consumer protection and operational issues before a calling-party-pays system can be deployed throughout the United States. In particular, we learned that it will be necessary for stakeholders to:

- develop and implement agreed upon billing arrangements among multiple wireless and wireline providers to prevent revenue “leakage” (i.e., revenue loss associated with inbound calls from customers of carriers with whom the cellular provider has no billing arrangement);

² Interestingly, according to data presented in a February 1999 research report issued by Goldman Sachs, “in the European markets that have calling-party-pays, 40%-50% of the volume is incoming call traffic, whereas in the U.S., which does not have such a system, incoming call traffic is less than 20%.” See “Global Wireless Communications Industry – No Borders – No Limits,” Goldman Sachs Investment Research, Comments of Barry A. Kaplan at 5 (Feb. 1999). Thus, it is clear that the impact of calling-party-pays on overall minutes is significant.

- develop and implement agreed upon settlement rates among multiple wireless and wireline providers for charges associated with inbound calling and messaging, billing and collection services;
- develop and implement agreed upon operational protocols among multiple wireless and wireline providers to combat fraud and ensure the interoperability of myriad systems and networks;
- develop and implement effective public education measures to prevent consumer confusion and ensure that customers are fully informed about their rights and obligations under a calling party pays system, including their rights and obligations with regard to charges they may incur in connection with calls placed to wireless customers.

Clearly, therefore, there will be a need for a great deal of coordination among regulators and competing carriers, as well as a good amount of thought on the various consumer protection issues, before calling-party-pays can be widely implemented across the United States. We learned that the hard way.

This having been said, I do believe that the islands of Puerto Rico and the Virgin Islands present unique and valuable opportunities for carriers and regulators to come together to observe the benefits of calling-party-pays through prompt, coordinated action. Specifically, because the overwhelming majority of telecom traffic on an island is local, with a single landline carrier (GTE), calling-party-pays could be introduced quickly in such an environment through negotiations and coordinated effort between several rather than hundreds of parties. Moreover, we believe that the unique geography and market structure of an island would make it relatively easy to resolve the operational, billing and consumer education issues which may prevent calling-party-pays from being deployed in other areas of the country quickly. Indeed, it is our understanding that GTE already offers a calling-party-pays billing service to wireless carriers in all markets where it operates. Since GTE recently announced the consummation of its FCC approved acquisition of the Puerto Rico Telephone Company ("PRTC"), there is no reason why GTE should not be expected to promptly implement the same calling-party-pays billing system that it offers in its other markets. Moreover, Bell Atlantic the successor to GTE announced that it intends to launch CPP later this year.

CCPR's customers have long expressed a desire to subscribe to calling-party-pays and CCPR is poised to provide the service imminently. For these reasons, Cellular Communications of Puerto Rico, Inc. a publicly traded company, ("CCPR"), is preparing to initiate a process with the other wireless carriers, GTE (the wireline carrier) and the Telecommunications Regulatory Board of Puerto Rico to implement calling-party-pays in Puerto Rico. With more than a 50% market share, CCPR is the largest local competitor to GTE/PRTC and provides state-of-the-art analogue and digital cellular service to more than 300,000 customers throughout Puerto Rico and the U.S. Virgin Islands under the brand name Cellular One.

Although I anticipate that calling-party-pays ultimately will be instituted, I believe that the system could be implemented more swiftly and efficiently with FCC involvement. CCPR intends to provide all interested parties with an outline of its vision for calling-party-pays in Puerto Rico and would, of course, welcome any reactions or revisions to the same. While I am not requesting preemption of any Puerto Rico law or regulation, or that the FCC usurp the role of the Board, FCC participation in formulating general guidelines and encouragement in expediting the service would be extremely beneficial. FCC involvement could come in the form of a specific Wireless Telecommunications Bureau liaison to this matter, a request for public comment on CCPR's calling-party-pays proposal, or any other form of participation that you might deem appropriate.

Thank you for your strong support of the wireless industry and, in particular, for your attention to this matter of vital importance to wireless carriers across the country. I look forward to talking with you further about this matter as we proceed with our initiative.

Sincerely,

A handwritten signature in black ink, appearing to read "George Bl", followed by a long, sweeping horizontal line that extends to the right.

George S. Blumenthal
Chairman

cc: Hon. Susan Ness
Hon. Harold Furchtgott-Roth
Hon. Michael Powell
Hon. Gloria Tristani
Kathryn C. Brown
Ari Fitzgerald
Thomas Sugrue
Lawrence Strickling
John Simko
Jeanine Poltroniere
Phoebe Forsythe Isales
Kimberly Caswell (GTE Services Corp.)
Ivan Miranda (PRTC)